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Mexican Labor Trouble May Lie Ahead Despite Wage Agreement, Analysts Say

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MEXICO CITY—Despite myriad political and financial woes, the Mexican government recently demonstrated that it still controls the backbone of its political power, the labor unions. But analysts say this support may soon start to slip.

That the government of President Miguel de la Madrid Hurtado still has labor on its side is clear

from the unions' acceptance of a 15.6% increase in the minimum wage, a far cry from the 50% originally demanded. The rise, which went into effect earlier this month, applies to all unskilled laborers. It also sets the bargaining standard for other wage increases.

Workers last received a wage boost, of 25%, in January. With inflation roaring along at about 100% annually, many analysts were surprised the government was able to get unions to settle for only 15.6%. Some predict that the government will be forced to grant the unions an additional pay increase later this year. But thus far Mexico has averted the unions' threatened nationwide strikes, which could have proved devastating to Mexico's ailing economy.

Perhaps equally important is the short-term boost it gives the government that took over only last December. Mr. de la Madrid is trying to adhere to an austerity program prescribed by the International Monetary Fund to resuscitate Mexico's collapsed economy. And preventing strikes is considered essential to the IMF program.

The relatively low wage increase means the government has managed to buy some time to try to get Mexico back on its feet. Says Jonathan King, an economist at the Higher School of Economics, "This is very important because it means the government has labor in its pocket, without whose cooperation it can't do anything."

Can Cooperation Last?

But many here question just how much longer workers will go along with the government. Historically it could count on labor support in exchange for delivering jobs and wage increases. But as a result of the IMF financial package, Mr. de la Madrid can no longer protect the unions. Some analysts say there could be a violent showdown within the next year between workers and the government unless it can curb rapidly rising prices—and fast.

If a union-government break does come, it would mark a turning point in Mexican politics. Mr. de la Madrid's Institutional Revolutionary Party, or PRI, has ruled the country for over 50 years, largely on the strength of organized labor.

Political experts aren't concerned so much about labor leadership as they are about the rank-and-file membership. Fidel Velazquez, the seemingly indefatigable 83-year-old chief of the country's biggest union, the Confederation of Mexican Workers, is considered a potent political force. But a Western diplomat in Mexico says Mr. Velazquez believes labor shouldn't confront the government because they both

come from the same revolutionary process.

In fact, although Mr. Velazquez had been quite vocal the past few months, demanding large wage boosts, he apparently had little intention of instructing his workers to strike. The diplomat says Mr. Velazquez made hotel reservations well in advance for a vacation in Europe with his family that started June 11—just two days after the threatened strike deadline. "I really don't think he would have made these reservations if he was going to have to stick around for a strike," the diplomat says.

Unrest in the Unions

A political analyst at a local think tank who asked not be identified says Mr. Velazquez backed down from his original demands because he understands the government has no choice but to remain firm on spending while it tries to work out ways to repay its foreign debt, which totals more than \$80 billion. But that doesn't mean workers will understand.

The political analyst says there is a lot of serious grumbling in unions now as a result of the recent wage settlement, which sets the highest minimum for an unskilled laborer at about \$3.50 a day. The analyst believes this worker disaffection could, at the very least, force the government to grant a pay increase of about 10% this fall.

But he isn't certain that such an increase would satisfy workers. He sees the labor leadership slowly losing control over the rank-and-file, with workers becoming increasingly militant toward the government.

Mexico already has a cluster of independent unions that are mounting a challenge to more traditional labor groups such as the Confederation of Mexican Workers. These upstart unions, some of them radical in philosophy, stand to gain if the more traditional unions continue to be seen as champions of the government's austerity programs.

Meanwhile, other forces on the labor scene are making their presence felt, including the eight university unions currently striking to demand a 40% pay rise and an end to the government's spending cuts. One spokesman for the universities, which are run by the government, says the job action is more political than economic and therefore the universities refuse to negotiate.

"I think 1982 (and the collapse of the Mexican peso) marked the end of an era," the analyst says. "All that remains of the PRI is a shell, which makes it very difficult to hold onto labor. Workers want results, not rhetoric."

Mr. King, the economist, is concerned that a strong dissident element might get hold of the unions and turn them into revolutionary movements. Such movements have popped up before in this country, only to be crushed by the government. But if the country can't start providing more for the workers, this place could become a real breeding ground for revolutionaries," Mr. King warns.